

EX. F

AO Rozhdestveno and OOO Rozhdestveno

Fact-finding investigation report
25 December 2020

Strictly confidential

Glossary

Term	Definition
Scope period	1 January 2016 – 31 May 2020, unless otherwise indicated in the text of the Report
Report	Fact-finding investigation report
Master developer	OOO Rozhdestveno
Project	Residential complex “Mir Mitino”
Ptitsefabrika	AO Ptitsefabrika Krasnogorskaya
RUB	Russian ruble
m	Million
K	thousand
VAT	value added tax
OOO	limited liability company in Russia
AO	joint-stock company in Russia
IE	individual entrepreneur
USRLE	Unified State Register of Legal Entities
SPARK	SPARK-Interfax database-reference and information system
MCPD	Moscow City Property Department
IC / Investment Contract	investment contract dated 3 September 2015
Co-investment contract/agreement	agreement on participation in shared construction
Expert report for July 2018-June 2019	report of AO AKK EKFI on the examination of financial and economic activities of OOO Rozhdestveno for the period from 1 July 2018 to 30 June 2019
n/a	not applicable
n/d	no data
FZ-214	Federal law No 214-FZ dated 30 December 2004 “On shared-equity construction of apartment buildings and other real estate and on amending certain items of Russian legislation”
RFQ	request for quotation
links/linked to	The terms “link” and respective derivatives “to be linked to”, “had links to”, etc., were used to show a connection/relation/affiliation (both direct and indirect) between objects, such as people (including targets of this investigation), entities, transactions, events, places, etc. similar to the context used by the Financial Action Task Force in its reports and investigation guidance
KS-2, KS-3	Forms KS-2 and KS-3 are an act of works performed used in the construction industry when carrying out construction and installation work

Scope of work

The consultant performed the following works:

- ▶ Collection and analysis of information (including statutory documents, minutes of shareholders' meetings, contracts, analytical tables, and other documents) provided by the Client in acts No 1 dated 24 September 2020, No 2 dated 23 October 2020, No 3 dated 27 October 2020, No 4 dated 30 October 2020 as well as information from open and expert sources.
- ▶ Analysis of the business profiles and business interests of key persons of AO Rozhdestveno and OOO Rozhdestveno (including M. A. Cherkasov, D. A. Kharitonov, K. S. Bondarenko).
- ▶ Cash flow analysis of AO Rozhdestveno and OOO Rozhdestveno in order to determine the structure of cash inflow and outflow as well as to identify the main counterparties of AO Rozhdestveno and OOO Rozhdestveno.
- ▶ Mass counterparties screening aimed at identification of potentially unreliable counterparties, conflict of interest, etc.
- ▶ Analysis of supporting documentation to identify potentially suspicious transactions, fraud and misuse of funds:
 - ▶ Analysis of business relationships between OOO Rozhdestveno and suppliers, in particular, OOO Enki Konstrakshn, OOO SK Lider, AO MSK Energo, including:
 - ▶ Analysis of procurement process
 - ▶ Analysis of contract terms
 - ▶ Market price benchmark of goods, works and services provided
 - ▶ Analysis of the apartment sales transactions aimed to identify non-commercial, disadvantages or questionable terms, e. g. understated prices, conflicts of interest, and unjustified discounts.
 - ▶ Analysis of other transactions, including detailed cash flow and supporting documents analysis.
- ▶ Search for assets potentially misappropriated and owned by the key individuals or their relatives.

Executive summary (1/9)

General information

We analyzed the activities OOO Rozhdestveno, the subsidiary of AO Rozhdestveno and developer of the residential complex "Mir Mitino". According to the Unified Housing Information System, as of the date of the Report **five** buildings of the Project (7, 8, 9, 10 and 10.1) have been commissioned, **three** buildings (14, 15, 15.1) and **five** parking lots (8 - 10, 14, 15) are currently being constructed. We analyzed the relationships between the Master developer and key participants of the Project. The analysis revealed the following:

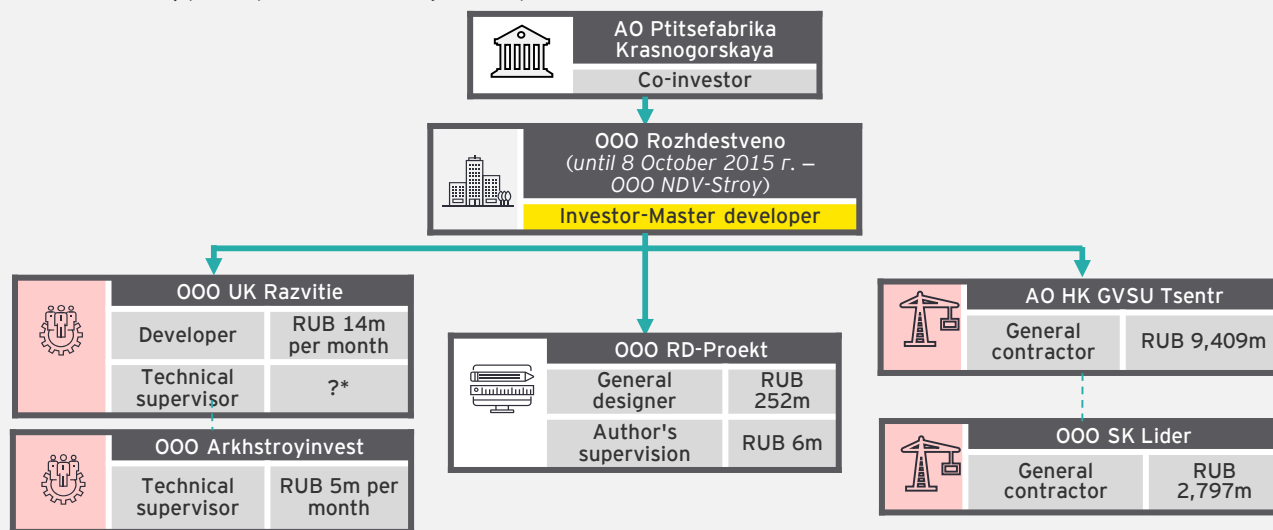
► Two General contractors without an apparent economical and technical rationale

Two General contractors, AO HK GVSU Tsentr and OOO SK Lider, have been involved in the construction and installation works at the second step of the Project's first stage; in addition, both General contractors have been engaged in the construction of buildings No 14 and No 15 jointly.

► Indicators of affiliation and conflict of interest

During the Scope period the technical supervision has been performed by OOO Arkhstroyinvest and OOO UK Razvitie (the Project's technical supervisors) potentially affiliated with OOO SK Lider and AO HK GVSU Tsentr (the Project's General contractors), which can be determine as an indicator of conflict of interest during the acceptance of the construction and installation works. We also noted potential links between the Master developer, the Technical supervisors (OOO Arkhstroyinvest and OOO UK Razvitie) and the General contractors (OOO SK Lider and AO HK GVSU Tsentr). The key participants of the Project are presented in chart below.

Links between the Project participants and indications of conflict of interest



Counterparties affiliated with key individuals of the Project

* There is no information on the contractual cost of services: the contract between the Master developer and OOO UK Razvitie for performing the function of a technical customer was not provided to the Consultant upon request.

Executive summary (2/9)

Co-Investor AO Ptitsefabrika Krasnogorskaya

RUB 1,877m

Total amount to be compensated by the Master developer to Ptitsefabrika in accordance with addendum No 5 dated 18 December 2017

Based on the analysis of the relationship between the Master developer and AO Ptitsefabrika Krasnogorskaya (the co-investor of the Project), we noted the following:

► **Potentially questionable subject of an addendum to the Investment contract**

In accordance with the subject of addendum No 5 dated 18 December 2017 to the Investment contract, to secure the obligations on creation of the Project's second stage objects as well as for compensation of costs for the change of authorized use of land, the Master developer shall transfer to Ptitsefabrika a security deposit totaling **RUB 1,877,199k**, while according to the terms indicated in the addendum, this amount is not refundable, which is non-compliant with the economic substance of a security deposit.

According to the expert's report for the period July 2018 - June 2019, representatives of Master developer provided comments that the aforementioned amount appears to be the repurchase payment by Master developer from Investor for the Project's residential and non-residential space. Therefore, there is a potential inconsistency between the actual purpose of the transaction and the subject of the addendum aimed to officially meet the criteria specified in article No 18 of 214-FZ "Use of funds by the Master developer".

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RUB 3,097m

Total amount of **eight** co-investment contracts between the Master developer and Ptitsefabrika analyzed

RUB 19-40k /sq m

Potentially understated costs of residential and non-residential space under co-investment contracts with Ptitsefabrika

Potentially understated prices under co-investment contracts with Ptitsefabrika

The average cost per square meter of space under **eight** co-investment contracts concluded between the Master developer and Ptitsefabrika totaling **RUB 3,096,607k** amounted to **RUB 19-20k** for buildings No 7-10.1 and **RUB 40k** for buildings No 14-15.1 which significantly lower than:

- the average actual costs as of 31 December 2018 for the construction of buildings No 7-10.1 commissioned in 2019, which varied from **RUB 36k** to **RUB 41k** per sq m.
- the planned cost for the construction of Project spaces based on the project declarations, actual as of the date of the present Report, which varied from **RUB 43k** to **RUB 65k** per sq m.
- the average cost of selling the Project spaces to other customers, information on which is presented in the Master developer's register of the co-investment contracts dated 21 November 2019, which varied from **RUB 111k** to **RUB 136k** per sq m.

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Executive summary (3/9)

Co-Investor AO Ptitsefabrika Krasnogorskaya – continued

RUB 1,277m

Loss of the Master developer under the co-investment contract with Ptitsefabrika based on the results of operations in January - June 2019

RUB 1,877m

The amount of the non-refundable security deposit reflected by the Master developer as the cost of the main production

Incorrect documenting and recording of transactions under co-investment contracts with Ptitsefabrika

- ▶ According to the Expert Report for July 2018 – June 2019, the Master developer's loss under the co-investment contract with Ptitsefabrika totaled **RUB 1,276,655k** for the period from 1 January 2019 to 30 June 2019.

This amount resulted from the difference between the actual costs of construction and the amount of financing received under the respective co-investment contracts was fully recognized for income taxation that increases the risk of disputes between the Master developer and the tax authorities with respect to the declared income tax and the reported Master developer's loss.

- ▶ According to the accounting data, the Master developer reflected the security non-refundable payment totaling **RUB 1,877,198k** on the account 20 "Main production", while:
 - ▶ the approach to reflecting costs does not correspond to the content of the supporting documents provided, which is an additional indicator that the subject of addendum No 5 to the Investment Contract appears to be fictitious.
 - ▶ documents confirming the approach for calculating the price of residential and non-residential spaces repurchased by the Master developer from Ptitsefabrika were not provided to the Expert.

Indicators of links between Ptitsefabrika and the key individuals of the Project

Based on the results of the analysis of publicly available sources, we observed the following:

- ▶ In addition to the residential complex "Mir Mitino", AO GVSU Tsentr and Capital Group are jointly involved in the construction of the residential complex "Positiv".
- ▶ The PIK Group is a partner of Capital Group in the implementation of several projects and S. E. Gordeev (the President of PIK Group) was potentially linked to M. A. Cherkasov via AO Investment Company Rosbuilding.

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Executive summary (4/9)

Developer and technical supervisor OOO UK Razvitie

RUB 1,314m

The amount of payments from the Master developer to OOO UK Razvitie in January 2017- May 2020.

**RUB 14,4m
per month**

Fixed remuneration for Project management from April 2018, potentially contrary to economical feasibility

We analyzed relationships between the Master developer and OOO UK Razvitie (the Technical supervisor and the Developer of the Project) and noted the following:

Potential discrepancy between the Developer's fees and economical feasibility of the Project

- ▶ According to addendum No 7 dated 30 March 2018 to agreement No 1-11 / 2015 dated 14 November 2015, the fees for the project management services became fixed and totaled **RUB 14,438k** per month since 1 April 2018. At the same time, according to the Master developer's financial statements, there has been a significant reduction in the pace of construction since March 2019.
- ▶ According to open sources, during the period from September 2019 to June 2020* the second step of the first stage of construction was suspended, while according to the Master developer's cash flow, the Master developer continued to pay the fixed Developer's fees totaling **RUB 14,438k** per month that contradicts the project pace and economical feasibility.

Discrepancy between the actual quality of services and the quality stipulated by the agreement and the Russian legislation

- ▶ We analyzed the results of inspections performed by the government authorities with respect to the Master developer and noted that **189** out of **612** analyzed violations (or **31%**) relate to the period from November 2019 to August 2020 or the period when the technical supervision was being performed by OOO UK Razvitie. This observation is an indicator of the inconsistency between the actual quality of technical supervision services provided and the requirements of the relevant regulations.

Other observations

- ▶ According to the report of AO AKK EKFI on the examination of financial and economic activities of OOO UK Razvitie for the period from 1 July 2018 to 30 June 2019, OOO UK Razvitie purchased Mercedes Benz S 350 BlueTEC 4MATIC at a price totaling **RUB 5,549k** and recorded the asset in the company's accounting database as a fixed asset. It should be noted that the Mercedes Benz can be classified as a premium class automobile, was purchased during the Scope period and potentially sourced from the Master developer's funds.

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**According to the photo-fixing materials posted on the website of the residential complex "Mir Mitino" and presented in Appendix 6 to this Report as well as according to the information portal Moscow city news Agency.*

Executive summary (5/9)

General contractor AO HK GVSU Tsentr

RUB 9,409m

Total cost of construction and installation works under the contract with AO HK GVSU Tsentr

RUB 5,494m

The total amount of payments made by the Master developer to AO HK GVSU Tsentr for the period from 1 January 2017 to 31 May 2020

RUB 862m

The amount of excluded works from the complex of construction and installation works

We analyzed the relationship between the Master developer and AO HK GVSU Tsentr, the General contractor for the construction of buildings No 7-10, 10.1, 14-15 (partially), and observed the following:

► ***Exclusion of works from the complex of construction and installation works, including the arrangement of individual structural elements of buildings***

Based on the results of analysis of agreement No 01/ГП-Мит/2016 dated 7 April 2016 we noted that certain types of works were excluded from the complex of construction and installation works to be performed by AO HK GVSU Tsentr, including works on the arrangement of individual structural elements of buildings that potentially contradicts common practice, according to which the general contractor is responsible for the quality of the full complex of construction and installation works as well as for the final result of the Project.

► ***Slow pace of construction***

As of the date of the present Report we noted that the percentage of completion of buildings No 14 and 15 is 1% and 5%, respectively, while per the actual versions of project declarations the planned level of percentage of completion for the third quarter of 2020 is 60%.

► ***Potentially excessive amount of guarantee retention to be paid***

According to the correspondence provided, the Master developer notified ООО Terra Invest of the need to attract credit funds to pay **RUB 458,936k** to AO HK GVSU Tsentr as the guarantee retention, while according to the terms of addendum No 42, the estimated amount of such payment is **RUB 343,803k** or **RUB 115,133k** less than the aforementioned amount.*

► ***Indicators of links between the General contractor and the key individuals of the Project***

As the part of the affiliation analysis, we noted the following:

- In May-June 2010 M. A. Cherkasov, General Director of the Master developer, held the position of Manager (representative of the managing company) in AO HK GVSU Tsentr.
- A. V. Dolin, a potential relative of K. S. Bondarenko (co-owner of the Master developer's second shareholder ООО Fridom), was the General Director of AO HK GVSU Tsentr from October 2010 to December 2010 and from January 2016 to February 2018.

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**It should be noted that for the purpose of verifying the amount of the actual guarantee retention, it is necessary to analyze the acts of work performed under the contract with AO HK GVSU Tsentr.*

Executive summary (6/9)

General contractor OOO SK Lider

RUB 3,527m

Total cost of construction of buildings 14, 15, 15.1 under contracts with AO HK GVSU and OOO SK Lider

RUB 1,127m

The total amount of payments made by the Master developer to OOO SK Lider for the period from 1 January 2017 to 31 May 2020

RUB 263m

The amount of payments made by the Master developer to OOO SK Lider for the period from 1 January 2017 to 31 May 2020 for buildings 14, 15 and 15.1

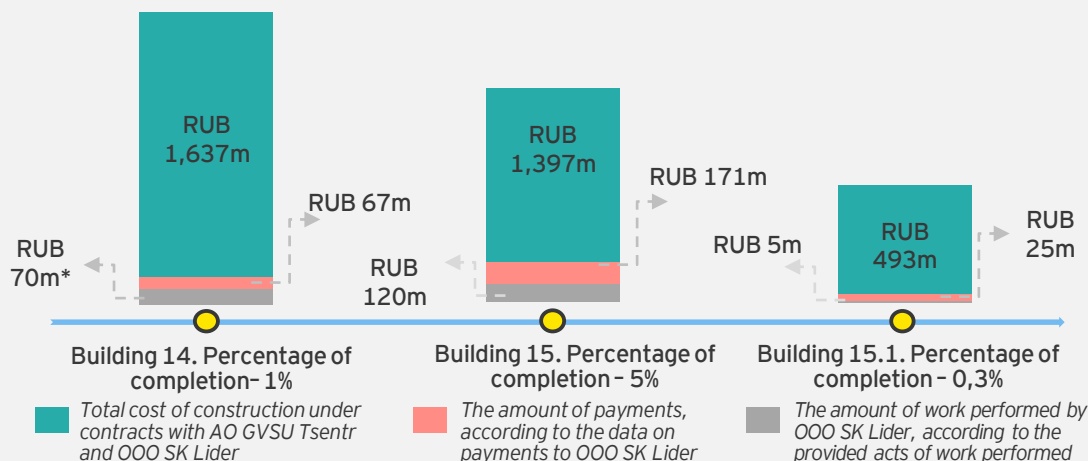
RUB 195m

The amount of work performed by OOO SK Lider on buildings 14, 15, 15.1, according to the acts of work performed

We analyzed the relationship between the Master developer and OOO SK Lider, the General contractor of buildings No 14-15 (partially), 15.1 and the parking lots No 8, 9, 14 and 15. Based on the results of the analysis, we noted the following:

► **Slow pace of construction**

We noted that the percentage of completion of buildings No 14, 15 and 15.1 is 1%, 5%, 0.3%, respectively, while per the actual versions of project declarations the planned level of percentage of completion for the third quarter of 2020 is 60%. *Details are presented in the charts below.*



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It should be noted that the total amount of payments in the amount of RUB 262,951k exceeds the total cost of work performed in the amount of RUB 195,019k by RUB 67,932k, according to the provided acts of work performed (KS2, KS3).

► **Integrity red flags identified**

We noted the following red flags related to OOO SK Lider:

- According to the register of contracts between the Master developer and OOO SK Lider, the first contract between companies was concluded on 5 March 2018 or six days after the counterparty joined the self-regulated organization.
- The Master developer's payments to OOO SK Lider in 2019 amounted to RUB 585,678k that exceeded the amount of total cash inflow indicated by the supplier in the cash flow statement for the respective period totaling RUB 506,059k.

*It should be noted that the acts of work performed KS-2 No 8 dated 29 February 2020 for construction and installation works on the building 14 in the amount of 16m RUB was not signed by the Master developer and technical client-OOO UK Razvitie.

Executive summary (7/9)

General contractor OOO SK Lider - continued

RUB 4,5m

The total cost of OOO SK Lider for the security services of the Project's premises based on the acts of work performed

25-109%

Potentially inflated prices for the security services according to the acts of works performed with OOO SK Lider from the approximate level of average market cost

RUB 186k / security post per month without VAT

The amount of costs for security services in accordance with the acts of OOO SK Lider

► Potentially inflated prices of the security services

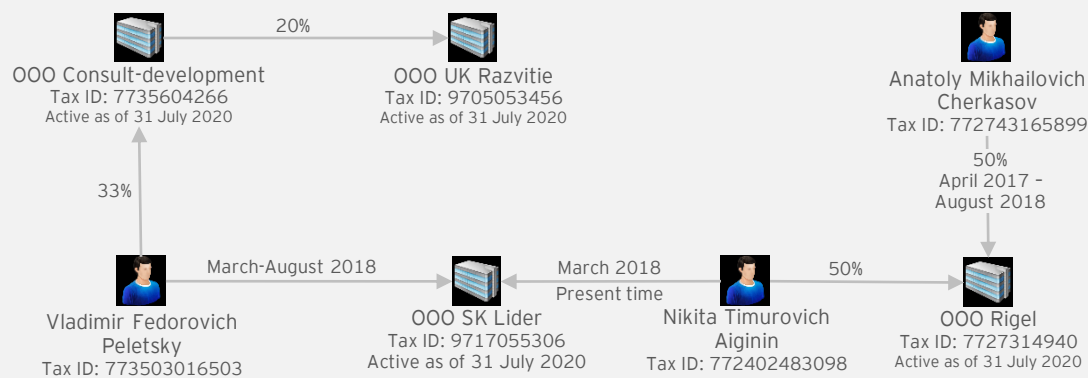
We conducted market price benchmark analysis with respect to the security services included in the complex of works related to the pre-production period under contract No 03CMP/2019 dated 15 April 2019. Based on the results of this analysis we noted that the contract prices are potentially inflated from **25% to 109%** of the average market price depending on the amount of security personnel working hours. Potential economic loss was estimated between RUB 1,990k and RUB 3,560k.*

► Indicators of links between the General contractor and other key individuals of the Project

As part of the affiliation analysis, we noted the following:

- V. F. Peletsky, who held the position of General Director of OOO SK Lider from March to August 2018, owned 33% of OOO Consult-development from August 2014 to December 2016; this company since November 2015 has owned 20% of OOO UK Razvitie, the Developer of the Project.
- N. T. Aiginin, who has owned shares of OOO SK Lider since March 2018, was the General Director from April 2017 to May 2018 and 50% owner from April 2017 to December 2018 of OOO Rigel, whose owner from April 2017 to August 2018 was A. M. Cherkasov.

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*It should be noted that these results are preliminary and require clarification in terms of parameters that affect the cost of services, such as the type of security service, the schedule of work and other conditions that are contained in the contract and/or the terms of reference for the specified contract, not provided to the Consultant upon request.

Executive summary (8/9)

Other transactions with related parties

RUB 2,5m

Total outstanding loans received from related parties as at 31 December 2019

As part of this Report, we analyzed the terms of two loan agreements between the Master developer and Viktor Viktorovich Shendrik, the Master developer and OOO NDV Moscow. The amount of the Master developer's debt under these agreements as of 31 December 2019 totaled RUB 2,475k. Based on the results of the analysis, we noted the following:

► **Potentially non-commercial terms of loan agreements**

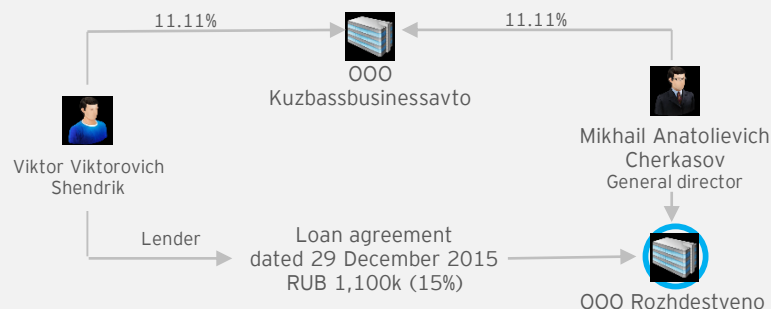
Based on the analysis of the terms of the loan agreement with V. V. Shendrik and addendum No 2 dated 1 March 2019 to the agreement, the interest rate was 15% during the period from 29 December 2015 to 28 February 2019 and 11% from 1 March to 31 December 2019, which exceeded the key rate of the Central Bank of the Russian Federation varied from 7.25% to 11% in January 2016 – February 2019 and from 6.25% to 7.75% in April – December 2019.

► **Lack of economical feasibility in extending loan agreements**

Based on the analysis of addenda to the loan agreements with V. V. Shendrik and OOO NDV Moscow, we noted that the agreement with V. V. Shendrik was extended until 30 December 2023, and with OOO NDV Moscow – until 24 August 2024, in the absence of obvious economic feasibility and the availability of resources sufficient to repay this debt (including such sources as interest on deposits, etc.).

► **Indicators of links between the lenders and the key persons of the Project**

In the course of affiliation check we noted links between OOO NDV Moscow and A. A. Khrustalev, the former General Director of the Master developer, and between V. V. Shendrik and M. A. Cherkasov, the General Director of the Master developer. Further analysis of open sources identified that V. V. Shendrik holds the position of Head of Security in PAO RZhD and is a member of Board of Directors in PAO TransKonteiner. *The affiliation scheme is represented below.*



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Executive summary (9/9)

Mass counterparties screening

RUB 3,342m

Or 15% was sent to high-risk counterparties in January 2017-May 2020.

RUB 7,972m

Or 35% was sent to potentially related legal entities in January 2017-May 2020

- ▶ As part of the Master developer's counterparties screening, we identified **20** payers (the inflow – **RUB 308,769k** or **1%** of total inflow in January 2017 – May 2020) and **56** recipients (the outflow – **RUB 3,342,101k** or **15%** of total outflow) of the Master developer's funds with a higher level of risk (five points or higher according to the applied scoring model*).
- ▶ In the course of affiliation check between the key individuals of the Project and the Master developer's counterparties, we identified indicators of potential affiliation in relation to **four** legal entities-payers, the total amount of the Master developer's receipts from which was **RUB 14,613k** or less than **1%** from the total amount of Master developer's inflow, and **11** legal entities-recipients of funds, the total amount of payments to which totaling **RUB 7,972,494k** or **35%** from the total amount of Master developer's payments.

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Questionable payments to contractors and other counterparties

Questionable payments from the Master developer to various counterparties

In the course of the analysis of the Master developer's payments to various counterparties (other than the key participants of the Project), we noted the following categories of questionable payments:

- ▶ for potentially conflicting or duplicated services, in particular:
 - ▶ for project support services to **11** counterparties totaling **RUB 193,328k**
 - ▶ for construction and installation works to **four** counterparties totaling **RUB 25,778k**
 - ▶ for the preparation of project and working documentation to **four** counterparties totaling **RUB 24,259k**
- ▶ other questionable payments, including:
 - ▶ payments for potentially fictitious services to OOO Technobusiness totaling **RUB 230,000k**, subsequently returned to the Master developer
 - ▶ payments to **two** individuals linked to the key participants of the Project totaling **RUB 12,060k**

It should be noted that these observations are preliminary and require verification with the contracts and supporting documents.

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**In the course of this analysis, the Consultant used an EY scoring model based on 28 risk indicators, including those recommended by the Federal Tax Service of the Russian Federation for the purpose of identifying signs indicating possible suspicion of legal entities and their non-involvement in conducting real financial and economic activities. This methodology is not universal and does not allow us to make a clear conclusion about the counterparty's unreliability. However several indicators combined for one counterparty are relatively sufficient to recognize the counterparty as risky and make a decision to conduct a subsequent in-depth analysis in order to identify potential cases of fraud or misuse of funds.*

Analysis of the apartment sales

Analysis of the apartment sales

Analysis of co-investment contracts between the Master developer and other customers (4/4)

Comparative analysis of prices under co-investment contracts and average prices for the quarter – *continued*

Also we were provided with contract No DKP-MM-10.1/121/20 dated 28 April 2020 related to apartment No 121 with a total area of **75.8 sq m** in the building No 10.1 totaling **RUB 10,543k** between the Master developer and Elizaveta Romanovna Popova, a daughter of N.V. Popova, who holds position of Chief Legal Officer in OOO UK Razvitie; OOO Rozhdestveno's sole owner decision No 91 dated 28 April 2020 and evaluation report No 2335/K dated 13 October 2020. We analyzed the listed information and noted the following indicators of potentially disadvantageous contractual terms:

- ▶ estimated cost of the apartment is **RUB 139k** per sq m, which is from 4%* to 25%** below the market value of the apartment as of the date of the agreement execution. The potential loss is estimated between approx. **RUB 410k** and **RUB 2,664k**.
- ▶ according to the terms of the contract, the buyer is obliged to transfer the payment by 1 May 2025 or within **five years** from the date of the agreement execution, which contradicts the co-investment contracts form related to the building No 10.1 (version dated 26 June 2018), where the participant in the shared construction should pay the price of the agreement within **five days** from the date of state registration of such agreement.

In addition, the OOO Rozhdestveno's sole owner decision No 91 dated 28 April 2020, which approved the transaction, was signed by the General Directors of AO Rozhdestveno, namely, M. A. Cherkasov and D. A. Kharitonov.

* According to information on the average cost per square meter in the Mitino area as of April 2020 according to the portal "Real Estate Market Indicators"

** According to the data of evaluation report No 2335/K dated 13 October 2020 related to apartment No 121, st. Muravskaya, 42, bldg. 3, Moscow.

Sources: register of co-investment contracts concluded by OOO Rozhdestveno, current as of November 2019, statements of settlement accounts of OOO Rozhdestveno for the period January 1, 2017 - May 31, 2020.